

# Addressing Affordability

United States Environmental Protection Agency  
Environmental Financial Advisory Board

**Affordability Workshop**

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# City of Portland: Background

- Combined Sewer Overflow consent decree to substantially reduce CSO events
  - \$1.2 billion project
  - Biggest public works project in the history of the City and one of the biggest in the history of the state
  - Monthly residential bill averages \$45/mo. now and increasing to \$65+ in 6 years.
- Water bills are about at national average.
  - Monthly residential is about \$16.70/mo.
  - Among the lowest in the local area.
- Combined W&S bill is 2<sup>nd</sup> highest in nation for large systems, according to a recent survey.

# Background

- Quarterly billing for most single family customers
- Monthly billing for most other customers
- Prior to recession
  - Delinquency rate was about 1%
  - Bad debt rate was about 0.5%
- Since recession
  - Delinquency rate has been about 4%-5%
  - Bad debt rate has been 2%-4%

# 1993 City Council Conclusions

- The cost of basic utility service was becoming less affordable for many ratepayers, and this would worsen in the coming years
- An extensive program was needed to ensure that basic utility service is available and affordable to virtually all residents.

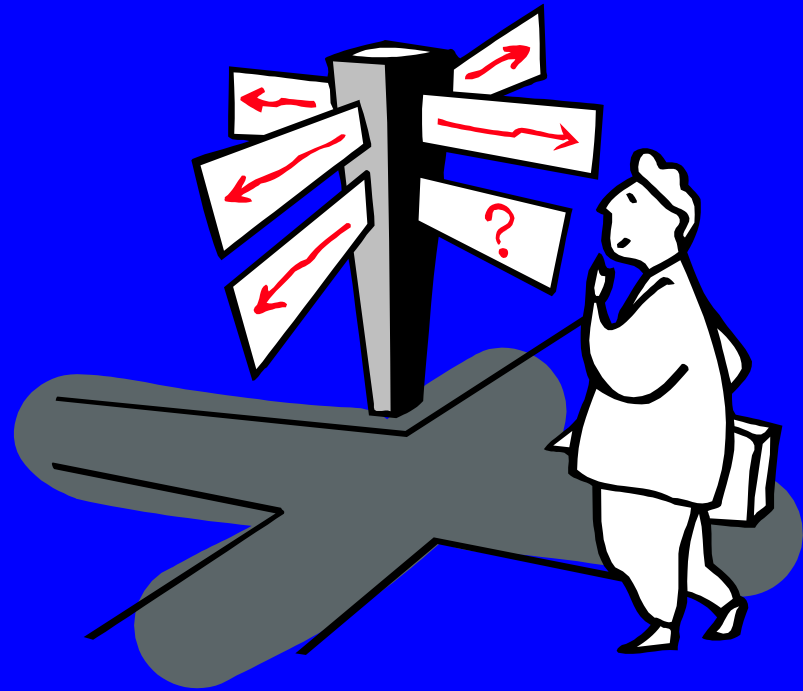


# Principles

- Basic level of water and sewer service affordable to vast majority of residents
- Program that is relatively simple to administer and has relatively low direct costs
- Program benefits focused on those in need.

# Examples of Types of Issues

- Assistance
  - Who?
  - Forms of assistance?
  - How much?
- Administration
  - Eligibility & Renewal
  - Marketing/Participation
  - Cost

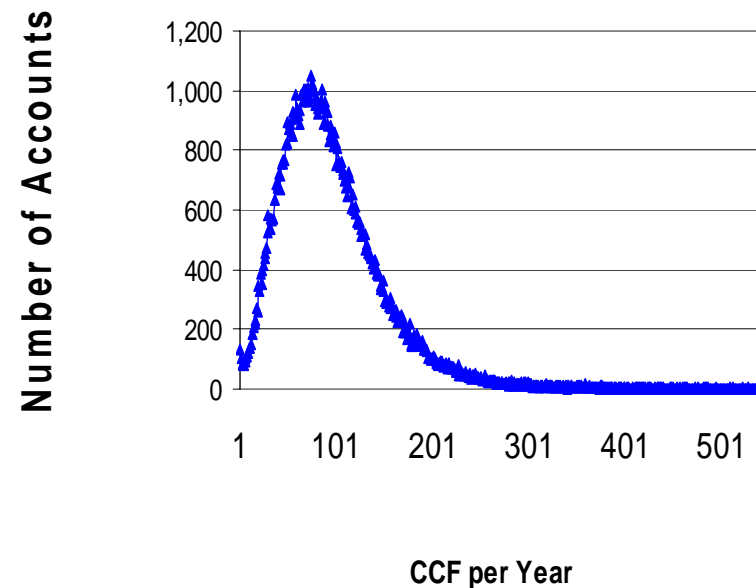


# Examples of Specific Issues

- Who should be eligible?
  - All users
  - All low income
  - All small users
  - Elderly
  - Small businesses
  - Other
- How much assistance is the right amount?
  - Enough to make bills affordable
  - No disincentive for conservation
  - No disincentive for general ratepayers to stop paying bills
  - No significant incentive for fraud
  - Not so expensive that other ratepayers can no longer afford their bills

# Affordability Criteria

- EPA suggested 2% of MHI for Water and 2% for Sewer
- These criteria would mean \$150/mo. (combined) in Portland's case.
- Locally, this is deemed too high.
- Community affordability is viewed as not relevant. Individual customer affordability is considered the key factor.
- Current combined bill is about \$62/mo., and this level is considered unaffordable for many.





# Major Program Elements

- Bill Discount
  - 40% of typical low-income single family customer
  - Currently \$17.20/month
- Crisis Voucher
  - \$150 once a year (max. frequency)
- Payment Extensions
  - 2 years (interest free)
- Accessibility Assistance
  - Language
  - Transportation
- In-Home Plumbing Fixture Repair
  - Up to \$1,900 one-time
- Write-offs
  - Discretion to write-off interest or principle owed and delinquency charges
- Targeted Conservation
- Monthly Billing Instead of Quarterly

# Administration



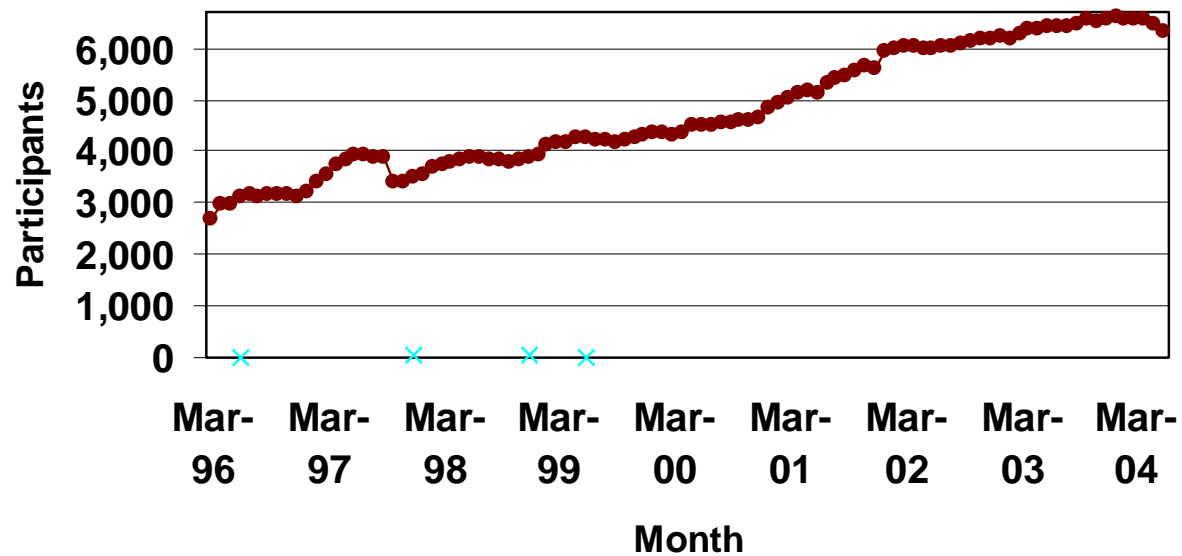
- County under contract to provide intake and eligibility
- Eligibility based on 60% of Oregon MHI
  - Income scale based on household size
- Single program coordinator
- Marketing
  - Other assistance providers
  - Schools
  - Churches
- Funding from other ratepayers
  - Embedded overhead cost within water and sewer rates
  - No tax revenues or grants
  - No voluntary contributions

# Eligibility and Participation

- Median household income currently = \$45,000
- Eligibility income level
  - • 1 person = \$1,527/mo.
  - • 2 people = \$1,997/mo.
  - • 3 people = \$2,467/mo.
  - 4 people = \$2,937/mo
- 25,000 households eligible for low income discount
- 6,600 households participate in discount
- 2,700 received crisis assistance in 2003
- 55 received fixture repair assistance



# Low Income Discount Participation



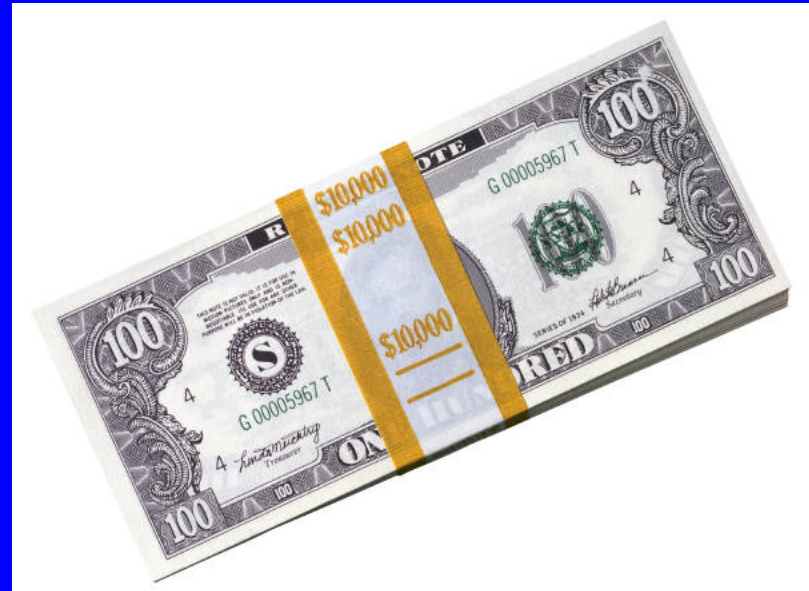
# Assistance Levels



- Average household discount = \$204.24 per year (\$17.20 per month)
- Crisis vouchers = \$150.00 per year
- In-home plumbing fixture repair = max. \$1,900.00 per year

# Assistance Levels

- Interest free payment plans: “value” of the interest waiver varies
  - Write-offs of interest and/or principal: Amount varies
- 
- Total assistance level ranges from \$204 to more than \$2,500 per year.
  - Typical amount is at lower end of this range



# Cost of the Program

- Foregone Revenues = \$2.0 million
  - Bill discount = \$1.3 million
- Incurred Costs = \$325,000 plus overhead
  - Targeted conservation = \$125,000
- Total Program Financial Impact > \$2.3 million
- Average cost per active account = \$15/yr.

# Challenges to Improving the Effectiveness of the Program

- Lack of awareness of the program
- Lack of knowledge of eligibility criteria
- Lack of knowledge of how to apply
- Transportation barriers to reaching the application location
- Pride, creating an unwillingness to accept assistance
- Fear or distrust of government
- Language barriers impacting the ability to apply
- Budget constraints



# Issues to be Addressed in the Future



- Assistance to renters (i.e., non-customers)
  - How to do it effectively and efficiently?
- Assistance to small businesses
  - Whether to do it, and if so how?
- Assistance to strategic businesses
  - How to do it without committing to do so for all businesses and without violating bond covenants?